



James B. Wright
Senior Attorney

REC'D TN

REGULATORY AUTHORITY

1411 Capital Boulevard
Nashville, Tennessee 37203
Telephone: 919-554-7587
Fax: 919-554-7913

'01 MAR 14 AM 11:01

March 14, 2001
OFFICE OF THE
EXECUTIVE SECRETARY

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

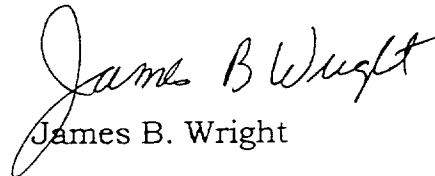
RE: Docket No. 97-00888 (Universal Service Proceeding)
UTSE Comments

Dear Mr. Waddell:

Pursuant to the directions approved at the February 21, 2001 Authority Conference, enclosed for filing in above referenced case are an original and thirteen copies of the Comments of United Telephone-Southeast, Inc. Concerning Universal Service Issues.

If you have any questions, please contact me or Laura Sykora at 919-554-7323.

Sincerely,


James B. Wright

c: Laura Sykora
Kaye Odum
Parties of Record (with enclosures)

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

In Re: Universal Service Proceeding
Docket No. 97-00888

**COMMENTS OF UNITED TELEPHONE – SOUTHEAST, INC.
CONCERNING UNIVERSAL SERVICE ISSUES**

At the February 21, 2001 Tennessee Regulatory Authority (TRA) Conference, the Directors unanimously agreed to request that parties to the above-referenced docket file comments concerning: (1) how support received from the CALLS federal universal service fund should be accounted for in establishing Tennessee's intrastate universal fund, (2) whether the intrastate universal service fund should support the Tennessee Relay Center, (3) whether the intrastate universal service fund should support the deployment of advanced services, and (4) whether the intrastate universal service fund should support secondary residential lines, including how the advent of line sharing/splitting impacts the need for support of second lines. United Telephone – Southeast, Inc. ("Sprint") comments as follows.

CALLS Federal Universal Support. The Authority in its May 20, 1998 *Interim Order on Phase I of Universal Service* ("Phase I Order"), found that the minimum intrastate universal service support necessary is the sum of the differences between the cost and the revenue benchmark of each wire center in the state (where the wire center's cost exceeds its revenue benchmark) less federal support.¹ The Authority further found in its Phase I Order that cost studies should be unseparated and include all the network

¹ See page 8; see also Interim Order on Phase II Universal Service, September 16, 2000, at 12.

components needed to provide all of the services in the revenue benchmark.² The Authority found that the revenue benchmark should be set at the average revenue per residential line and should include revenues such as interstate access charges and the interstate subscriber line charge (“SLC”).³

Since the release of the Phase I Order by the Authority, the Federal Communications Commission has approved an integrated interstate access reform and universal service proposal put forth by members of the Coalition for Affordable Local and Long Distance Service (CALLS).⁴ The CALLS proposal identified and removed \$650 million of implicit universal service support in interstate access charges, created an explicit interstate access universal support mechanism in this amount to replace the implicit support, and made interstate access universal service support fully portable among eligible telecommunications carriers. The CALLS proposal also increased the primary residential SLC from \$3.50 to \$4.35 effective July 1, 2000. However, at the same time the proposal eliminated the residential presubscribed interexchange carrier charge (“PICC”) and otherwise reduced the access charges paid by long distance companies by \$2.1 billion.⁵

Sprint believes that accounting for the CALLS proposal in the context of the Tennessee intrastate universal service fund can be easily accomplished. As noted above,

² *See* Interim Order on Phase I of Universal Service, May 20, 1998, at 41-42. However, it is Sprint's belief that there are services included in the revenue benchmark for which the model does not produce an associated cost, e.g. vertical services.

³ *Id.* at 36.

⁴ *See* In the Matter of Access Charge Reform, CC Docket No. 96-262, Sixth Report and Order, FCC 00-193 (released May 31, 2000).

⁵ *Id.* at 13-15.

the Authority has found that the intrastate universal service fund should equal the sum of the differences between each wire center's cost and its revenue benchmark, where cost exceeds revenue, less federal support. Accordingly, the amount Sprint receives in CALLS federal universal service support for its high cost wire centers can be subtracted from the intrastate universal service fund requirement.⁶ However, the revenue benchmark approved by the Authority for Sprint on February 21, 2001 should also be updated to reflect the post CALLS interstate switched access revenue reductions before calculating the appropriate level of rate rebalancing pursuant to Tenn.Code.Ann. §65-5-207(c)(5). The Authority's Phase I Order set out the principle that the revenue benchmark should be calculated using the most current units and rates available,⁷ and the principle should be followed in this instance.

Tennessee Relay Center. The Authority's Phase I Order found that funding the Telecommunications Relay Center ("Relay Center") should be addressed in another proceeding, but that any such funding should be administered in conjunction with the intrastate universal service fund. The current funding is only provided by incumbent local exchange carriers and purchasers of switched access service. In response to the Authority's request for comment, Sprint reaffirms its previous observation that current funding for the Relay Center is not competitively neutral and should be supported by the intrastate universal service fund to insure competitive neutrality in funding this service.⁸

⁶ Sprint submitted actual and projected amounts received in CALLS federal universal service support on March 7, 2001.

⁷ See Interim Order on Phase I of Universal Service, May 20, 1998, at 7.

⁸ See Direct Testimony of Laura A. Sykora, United Telephone-Southeast, Inc., November 12, 1997 at 5-6.

Advanced Services. The Authority has not previously asked for comment on whether the intrastate universal service fund should be used to support the deployment and availability of advanced services. The Authority's May 20, 1998 order found that only "core" services would be supported by the intrastate universal access fund. The core services were found to be the primary access line consisting of dialtone, touch-tone and usage provided to the premises of a residential customer for the provision of two-way switched voice or data transmission over voice grade facilities. The Authority did choose to support existing educational discounts, many of which support advance services.⁹

The Directors' motion asking for comment on advanced services referenced the universal services principles found at §254(b)(3) of the federal Telecommunications Act. Among other things, the principles state that consumers in all regions should have access to advanced services. However, the Authority should note that the Federal Communications Commission (FCC) ultimately choose not to include advanced services within its own set of "core" services designated for universal service support.

With reference to the statutory criteria set out in §254(c)(1) of the federal Act, the FCC designated for federal universal support: single-party service, voice grade access to the public switched network, touch-tone, access to 911, access interexchange service, access to directory assistance and toll limitation services for low-income consumers.¹⁰ When asked to consider designating advanced services for federal universal service support, the FCC again returned to the criteria set out in §254(c)(1) and stated:

⁹ See Interim Order on Phase I of Universal Service, May 20, 1998, at 12. The Authority found this decision to be "consistent" with Tenn.Code.Ann. §65-5-207(a) and §65-5-208(a)(1). Id.

¹⁰ See In the Matter of Federal-State Joint Board on Universal Service, CC Docket 96-45, First Report and Order, FCC 97-157 (released May 8, 1997) at ¶61.

We conclude, except as further designed with respect to eligible schools, libraries and health care providers, that voice grade access, and not high speed data transmission, is the appropriate goal of universal service policies at this time because we are concerned that supporting an overly expansive definition of core services could adversely affect all consumers by increasing the expense of the universal program and, thus increasing the basic cost of telecommunications services for all. As discussed above, voice grade access is subscribed to by a substantial majority of residential customers, and is being deployed in public telecommunications networks by telecommunications carriers. In contrast, the record in this proceeding does not demonstrate that the higher bandwidth services and data transmission capabilities ... are, at this time, necessary for the public health and safety and that a substantial majority of residential customers currently subscribe to these services.¹¹

Although universal service is considered an evolving level of service, Sprint believes advanced services continue to fall short of being “essential to education, public health or public safety” and certainly have not “through the operation of market choices by customers, been subscribed to by a substantial majority of residential customers.” Therefore, Sprint recommends against intrastate universal service support for advanced services beyond that already included in the Authority’s educational discount programs.

Secondary Lines. The Authority’s May 20, 1998 order found that intrastate universal service support would only extend to primary residential lines and not to business or second residential lines. The Authority excluded business lines from intrastate support given Tenn.Code.Ann §65-5-207(a). The Authority excluded secondary residential lines from intrastate support because of the small percentage of overall customers subscribing to secondary lines.¹² Sprint filed a petition for

¹¹ *Id.* at ¶64.

¹² Phase I Order at 12.

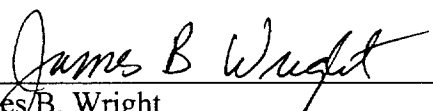
reconsideration of this issue on June 1, 1998; however, the petition was denied November 2, 1998.

In response to the Authority's latest request for comment, Sprint reaffirms its position that (1) secondary residential lines in high cost wire centers should be supported by the intrastate fund due to the administrative difficulties with identifying secondary from primary lines, and (2) Sprint should be allowed to price secondary residential lines, as well as primary lines, in a manner that better reflects the cost of providing the service.

The advent of line sharing/splitting is likely to dampen the need for second lines. However, Sprint believes that second lines and the high frequency portion of the local loop are not completely interchangeable services at this time. If line sharing does indeed depress demand for second lines, then the need for universal service funding of second lines will slow on a forward-looking basis.

Respectfully submitted this 14th day of March, 2001.

UNITED TELEPHONE-SOUTHEAST, INC.

By 
James B. Wright
Senior Attorney
14111 Capital Boulevard
Wake Forest, NC 27587-5900

CERTIFICATE
Universal Service Fund
(Docket No. 97-00888)

The undersigned hereby certifies that a copy of the Comments of United Telephone-Southeast, Inc. filed in the above docket is being provided to each of the following, by hand delivery, by overnight air express, or placing a copy of the same in the United States Mail postage prepaid and addressed as follows:

Guy M. Hicks
BellSouth Telecommunications, Inc.
333 Commerce St., Suite 2101
Nashville, TN 37201-3300

Phil Carver/William Ellenberg/Bennett Ross
BellSouth Telecommunications, Inc.
Suite 4300
675 West Peachtree Street, NE
Atlanta, Georgia 30375

T. G. Pappas/John Hayworth
Attorneys for Coalition of Small LECs
Bass, Berry & Sims
2700 First American Center
Nashville, TN 37238-2700

Richard M. Tettlebaum
Citizens Telecom
Suite 500
1400 16th Street NW
Washington, DC 20036

Jon E. Hastings
Attorney for MCI
Boult, Cummings, Connors & Berry
414 Union St., Suite 1600
Nashville, TN 37219

Cynthia Kinser
Consumer Advocate Division
425 Fifth Ave. N., Cordell Hull Bldg.
Nashville, TN 37243-0500
Charles B. Welch/Tony Thompson

Attorneys for Time Warner
Farris, Mathews, Gilman
511 Union St., Suite 2400
Nashville, TN 37219

James Lamoureux
AT&T
Suite 8100
1200 Peachtree Street, N.E.
Atlanta, Ga. 30309

Val Sanford
Attorney for AT&T
Gullett, Sanford, Robinson & Martin
230 Fourth Avenue North, 3rd Floor
Nashville, TN 37219-8888

Henry Walker
Attorney for NextLink and ACSI
Boult Cummings, Conners & Berry
414 Union Street, Suite 1600
Nashville, TN 37219

D. Billye Sanders
Attorney for TCG MidSouth
P. O. Box 198966
Nashville, TN 37219-8966

H. LaDon Baltimore (Attorney for WorldCom)
Suite 320
211 Seventh Avenue N
Nashville, TN 37219-1823

Richard Smith, President
Standard Communications Co.
302 Sunset Drive
Suite 101
Johnson City, TN 37604

Thomas J. Curran
Director External Affairs
360 Communications Company
8725 W. Higgins Road
Chicago, IL 60631

Nanette Edwards
Regulatory Affairs Manager
DeltaCom
700 Blvd. South, Suite 101
Huntsville, AL 35801

Jack McFadden
Department of Finance & Administration
Telecommunications Policy & Planning
598 James Robertson Parkway
Nashville, TN 37243-0560

Gif Thornton
Attorney for BellSouth Cellular
424 Church Street
28th Floor
Nashville, TN 37219-2380

Sheila Davis
Chaz Taylor Inc.
3401 West End Avenue
Suite 318
Nashville, TN 37203

Mark Pasko/ Michael Romano
Swidler & Berlin
Atty. for AVR d/b/a Hyperion of TN
3000 K Street NW, Suite 300
Washington, DC 20007-5116

Dana Shaffer
XO Communications, Inc.
105 Molloy Street Suite 300
Nashville, TN 37201

William C. Carriger
Atty. for Electric Power Bd. of Chattanooga
400 Krystal Building
One Union Square
Chattanooga, TN 37402

Denise Newman
Phoenix Network Inc.
1687 Cola Blvd.
Bolden, CO 80401

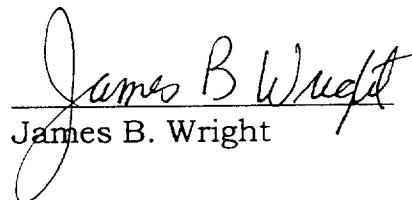
Jane Walters, TN Dept. of Education
6th Floor, Gateway Plaza
710 James Robertson Parkway
Nashville, TN 37243-0375

Dan Elrod & Ken Bryant
Attorneys for GTE Mobilnet
Nashville City Center, 25th Floor
511 Union Street
Nashville, TN 37219

Ozle Allen
Tennessee Co-Ops
5755 Short Mountain Road
McMinnville, TN 37110

Richard Cys
Davis, Wright Tremaine
1155 Connecticut Ave. NW, Suite 700
Washington, DC 200036

This 14th day of March, 2001


James B. Wright